

TRI CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

NOLTE, CORNMAN & JOHNSON P.C.
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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Tri Center Community School District in Neola, Iowa.

The District's revenues totaled \$7,136,208 for the year ended June 30, 2006, a 3.3 percent increase from the prior year. Revenues included \$2,899,900 in unrestricted state grants, \$2,398,369 in local tax, charges for service of \$1,054,055, operating grants, contributions, and restricted interest of \$765,457 and \$18,427 in unrestricted interest.

Expenses for district operations totaled \$7,096,147 a 7.2 percent increase from the prior year. Expenses included \$2,675,448 for regular instruction, \$713,771 for operation and maintenance of plant and \$662,917 for administrative services.

A copy of the audit report is available for review in the District Secretary's Office, the Office of Auditor of State, and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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Tri Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Jim Fischer	President	2006
Nancy Cohen	Vice-President	2006
Mike Pettit	Board Member	2007
Kirk Nielsen	Board Member	2005
Randy Morriss	Board Member	2007
Board of Education (After September 2005 Election)		
Jim Fischer	President	2006
Kirk Nielsen	Vice-President	2008
Mike Pettit	Board Member	2007
Nancy Cohen	Board Member	2006
Randy Morriss	Board Member	2007
School Officials		
Brett Nanninga	Superintendent	2006
Rhonda McKenzie	District Secretary	2006
Scott Rogers, Peters Law Firm	Attorney	2006
Gruhn Law Firm	Attorney	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Tri Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tri Center Community School District, Neola, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri Center Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

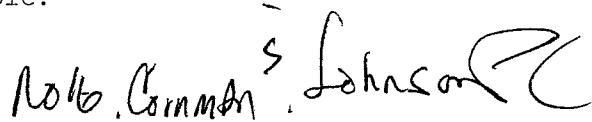
In accordance with Government Auditing Standards, we have also issued our report dated August 1, 2006 on our consideration of Tri Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

August 1, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tri Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,499,528 in fiscal 2005 to \$5,660,229 in fiscal 2006, while General Fund expenditures increased from \$5,617,735 in fiscal 2005 to \$6,051,768 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$714,815 in fiscal 2005 to a balance of \$323,876 in fiscal 2006, a 54.7% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2006. The increase in expenditures was due primarily to increases in salaries and benefits as well as increases in expenses funded by grants received by the District for fiscal 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tri Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tri Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tri Center Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Tri Center Community School District Annual Financial Report

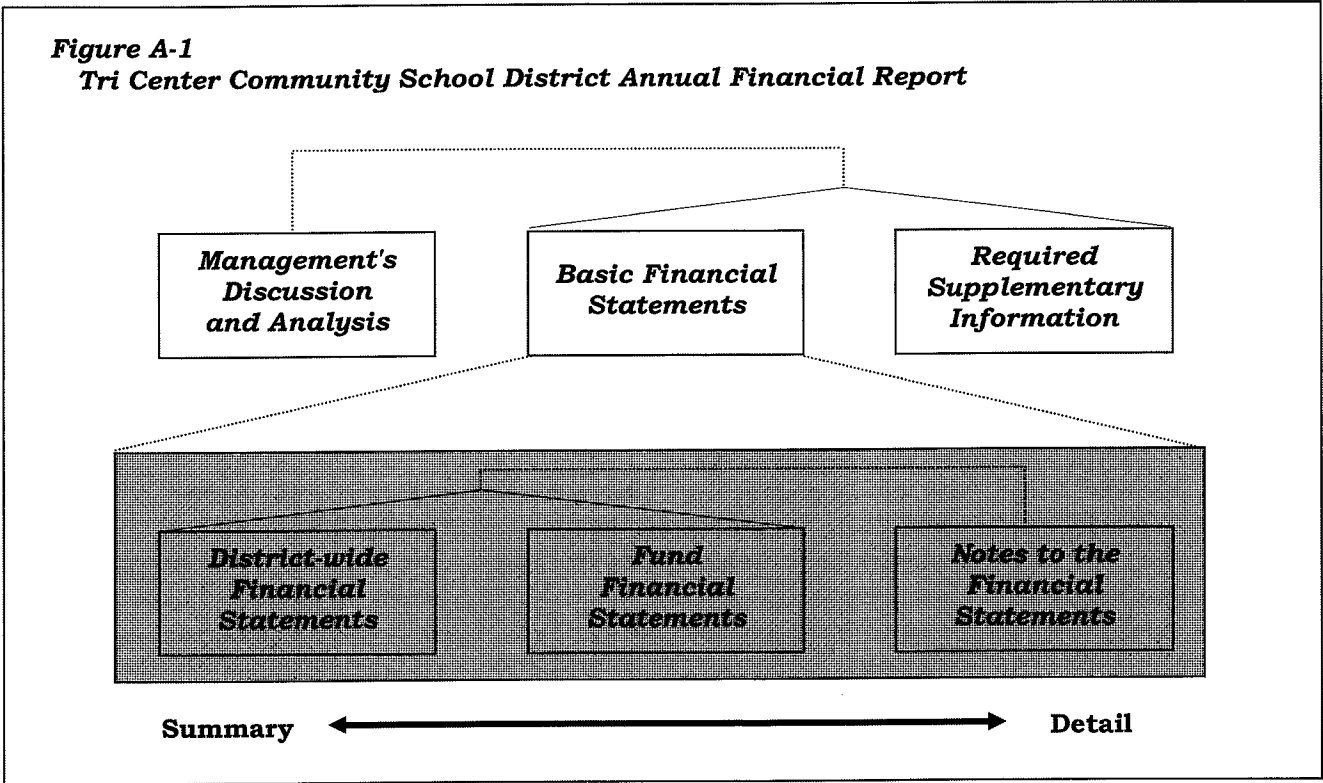


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 2,675,558	3,272,261	37,360	68,942	2,712,918	3,341,203	-18.80%
Capital assets	5,194,434	4,421,516	56,283	30,099	5,250,717	4,451,615	17.95%
Total assets	7,869,992	7,693,777	93,643	99,041	7,963,635	7,792,818	2.19%
Long-term obligations	2,205,000	2,445,000	0	0	2,205,000	2,445,000	-9.82%
Other liabilities	2,235,255	1,885,193	4,623	5,328	2,239,878	1,890,521	18.48%
Total liabilities	4,440,255	4,330,193	4,623	5,328	4,444,878	4,335,521	2.52%
Net assets:							
Invested in capital assets, net of related debt	3,054,931	2,603,897	56,283	30,099	3,111,214	2,633,996	18.12%
Restricted	103,396	87,033	0	0	103,396	87,033	18.80%
Unrestricted	271,410	672,654	32,737	63,614	304,147	736,268	-58.69%
Total net assets	\$ 3,429,737	3,363,584	89,020	93,713	3,518,757	3,457,297	1.78%

The District's combined net assets increased by 1.78%, or \$61,460, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$16,363, or 18.8% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$432,121, or 58.69%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 837,944	856,042	216,111	216,035	1,054,055	1,072,077	-1.68%
Operating grants and contributions and restricted interest	653,105	735,666	112,352	119,402	765,457	855,068	-10.48%
General revenues:							
Property tax	1,838,624	1,806,386	0	0	1,838,624	1,806,386	1.78%
Local option sales and services tax	559,745	478,750	0	0	559,745	478,750	16.92%
Unrestricted state grants	2,899,900	2,678,993	0	0	2,899,900	2,678,993	8.25%
Other	18,051	13,358	376	438	18,427	13,796	33.57%
Total revenues	6,807,369	6,569,195	328,839	335,875	7,136,208	6,905,070	3.35%
Program expenses:							
Governmental activities:							
Instructional	3,900,257	3,746,559	0	0	3,900,257	3,746,559	4.10%
Support services	2,336,595	1,957,880	0	0	2,336,595	1,957,880	19.34%
Non-instructional programs	5,815	8,907	354,931	317,662	360,746	326,569	10.47%
Other expenses	498,549	588,611	0	0	498,549	588,611	-15.30%
Total expenses	6,741,216	6,301,957	354,931	317,662	7,096,147	6,619,619	7.20%
Change in net assets before capital contributions	66,153	267,238	(26,092)	18,213	40,061	285,451	-85.97%
Capital contributions	0	0	21,399	0	21,399	0	100.00%
Change in net assets after capital contributions	66,153	267,238	(4,693)	18,213	61,460	285,451	-78.47%
Beginning net assets	3,363,584	3,096,346	93,713	75,500	3,457,297	3,171,846	9.00%
Ending net assets	\$ 3,429,737	3,363,584	89,020	93,713	3,518,757	3,457,297	1.78%

Property tax and unrestricted state grants account for 69.6% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$7.14million of which \$6.81 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.5% increase in revenues and a 7.2% increase in expenses. Unrestricted state grants increased \$220,907 and property tax increased \$32,238 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$6,807,369 and expenses were \$6,741,216. In a difficult budget year, the District exceeded the amount budgeted in the other expenses functional area. Although one functional area of the budget was exceeded, the District was able to stay under the amount budgeted for total expenditures for the District in fiscal 2006.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,900,257	2,634,470
Support services	2,336,595	2,330,958
Non-instructional programs	5,815	5,815
Other expenses	498,549	278,924
Totals	<u>\$ 6,741,216</u>	<u>5,250,167</u>

- The cost financed by users of the District's programs was \$837,944.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$653,105.
- The net cost of governmental activities was financed with \$1,838,624 in property tax, \$559,745 in local option sales and services tax, \$2,899,900 in unrestricted state grants and \$18,051 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$328,839 and expenses were \$354,931. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Tri Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$446,249, below last year's ending fund balances of a \$1,392,236. However, the primary reason for the decrease in combined fund balances in fiscal 2006 is due to a decrease in Capital Projects of \$561,820 due to the finishing of projects for the multi-purpose building and a decrease of \$390,939 in the General Fund due to increases in salary costs.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors:
- The Capital Projects Fund balance decreased from \$620,603 in fiscal 2005 to \$58,783 in fiscal 2006. This decrease was caused by the District expending funds for completion of projects related to the multi-purpose building.

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a deficit \$5,178 in fiscal 2005 to a deficit \$16,634 in fiscal 2006. This decrease was due to the property valuation rollbacks enacted by the state.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$93,713 at June 30, 2005 to \$89,020 at June 30, 2006, representing a decrease of 5%. For fiscal 2006, Nutrition Fund revenues remained fairly steady while expenses increased by approximately \$37,000.

BUDGETARY HIGHLIGHTS

The District's revenues were \$226,517 less than budgeted revenues, a variance of 3.1%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Initially, total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$5,250,717, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 15.22% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$335,013.

The original cost of the District's capital assets was \$8,385,888. Governmental funds account for \$8,290,850 with the remainder of \$95,038 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$864,064 at June 30, 2006, compared to \$680,793 reported at June 30, 2005. This increase resulted from the additions of buses and other machinery and equipment during fiscal year 2006.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 12,669	12,669	0	0	12,669	12,669	0.00%
Buildings	3,226,386	2,774,054	0	0	3,226,386	2,774,054	14.02%
Land improvements	1,147,598	984,099	0	0	1,147,598	984,099	14.25%
Machinery and equipment	807,781	650,694	56,283	30,099	864,064	680,793	21.21%
Total	\$ 5,194,434	4,421,516	56,283	30,099	5,250,717	4,451,615	15.22%

Long-Term Debt

At June 30, 2006, the District had \$2,205,000 in general obligation and other long-term debt outstanding. This represents an decrease of 9.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,605,000 at June 30, 2006.

The District had outstanding revenue bonds of \$600,000 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 1,605,000	1,755,000	-8.5%
Revenue bonds	600,000	690,000	-13.0%
Totals	<u>\$ 2,205,000</u>	<u>2,445,000</u>	<u>-9.8%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The final track payment will be made in June 2007.
- The teachers union bargaining increase was 5% and the insurance costs increase was 5.25%
- Local option sales tax bonds were sold to finance the new Multi-Purpose building.
- The District increased its Management levy to pay for increase costs of liability insurance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda McKenzie, Business Manager, Tri Center Community School District, 33980 310th Street, Neola, Iowa, 51559.

BASIC FINANCIAL STATEMENTS

TRI CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 253,647	0	253,647
Other	318,874	10,939	329,813
Receivables:			
Property tax:			
Delinquent	22,520	0	22,520
Succeeding year	1,895,213	0	1,895,213
Accounts	4,091	0	4,091
Accrued ISCAP interest(Note 4)	79	0	79
Due from other governments	181,134	0	181,134
Inventories	0	26,421	26,421
Capital assets, net of accumulated depreciation(Note 5)	5,194,434	56,283	5,250,717
TOTAL ASSETS	7,869,992	93,643	7,963,635
LIABILITIES			
Accounts payable	41,906	0	41,906
Salaries and benefits payable	3,423	0	3,423
ISCAP warrants payable(Note 4)	254,000	0	254,000
ISCAP accrued interest payable	1,933	0	1,933
ISCAP unamortized premium(Note 4)	63	0	63
Accrued interest payable	5,946	0	5,946
Deferred revenue:			
Succeeding year property tax	1,895,213	0	1,895,213
Other	32,771	4,623	37,394
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	150,000	0	150,000
Revenue bonds payable	600,000	0	600,000
Portion due after one year:			
General obligation bonds payable	1,455,000	0	1,455,000
TOTAL LIABILITIES	4,440,255	4,623	4,444,878
NET ASSETS			
Investment in capital assets, net of related debt	3,054,931	56,283	3,111,214
Restricted for:			
Teacher compensation	398	0	398
Early intervention	11,464	0	11,464
Talented and gifted	23,970	0	23,970
Management levy	25,920	0	25,920
Other special revenue purposes	41,644	0	41,644
Unrestricted	271,410	32,737	304,147
TOTAL NET ASSETS	\$ 3,429,737	89,020	3,518,757

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

TRI CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,675,448	800,549	389,322	(1,485,577)	0
Special instruction	597,892	37,395	38,521	(521,976)	0
Other instruction	626,917	0	0	(626,917)	0
	3,900,257	837,944	427,843	(2,634,470)	0
Support services:					
Student services	218,342	0	0	(218,342)	0
Instructional staff services	226,058	0	0	(226,058)	0
Administration services	662,917	0	0	(662,917)	0
Operation and maintenance of plant services	713,771	0	0	(713,771)	0
Transportation services	515,507	0	5,637	(509,870)	0
	2,336,595	0	5,637	(2,330,958)	0
Non-instructional programs	5,815	0	0	(5,815)	
Other expenditures:					
Facilities acquisitions	27,475	0	0	(27,475)	0
Long-term debt interest	78,323	0	0	(78,323)	0
AEA flowthrough	219,625	0	219,625	0	0
Depreciation(unallocated)*	173,126	0	0	(173,126)	0
	498,549	0	219,625	(278,924)	0
Total governmental activities	6,741,216	837,944	653,105	(5,250,167)	0
Business-Type activities:					
Non-instructional programs:					
Nutrition services	354,931	216,111	112,352	0	(26,468)
Total business-type activities	354,931	216,111	112,352	0	(26,468)
Total	\$ 7,096,147	1,054,055	765,457	(5,250,167)	(26,468)
General Revenues:					
Property tax levied for:					
General purposes				\$ 1,639,048	0
Debt service				154,938	0
Capital outlay				44,638	0
Local option sales and services				559,745	0
Unrestricted state grants				2,899,900	0
Unrestricted investment earnings				18,051	376
Total general revenues				5,316,320	376
Changes in net assets before other financing sources				66,153	(26,092)
Other financing sources					
Capital contributions				0	21,399
Changes in net assets				66,153	(4,693)
Net assets beginning of year				3,363,584	93,713
Net assets end of year				\$ 3,429,737	89,020

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

TRI CENTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments				
ISCAP(Note 4)	\$ 253,647	0	0	253,647
Other	326,356	875	77,125	404,356
Receivables:				
Property tax:				
Delinquent	18,541	0	3,979	22,520
Succeeding year	1,570,624	0	324,589	1,895,213
Accounts	4,091	0	0	4,091
Accrued ISCAP interest(Note 4)	79	0	0	79
Due from other governments	55,258	125,876	0	181,134
TOTAL ASSETS	\$ 2,228,596	126,751	405,693	2,761,040
LIABILITIES AND FUND BALANCES				
Liabilities:				
Excess of warrants issued over bank balance	\$ 0	67,968	17,514	85,482
Accounts payable	41,906	0	0	41,906
Salaries and benefits payable	3,423	0	0	3,423
ISCAP warrants payable(Note 4)	254,000	0	0	254,000
ISCAP accrued interest payable	1,933	0	0	1,933
ISCAP unamortized premium(Note 4)	63	0	0	63
Deferred revenue:				
Succeeding year property tax	1,570,624	0	324,589	1,895,213
Other	32,771	0	0	32,771
Total liabilities	1,904,720	67,968	342,103	2,282,020
Fund balances:				
Reserved for:				
Early intervention	11,464	0	0	11,464
Talented and gifted	23,970	0	0	23,970
Teacher compensation	398	0	0	398
Debt service	0	0	12,660	12,660
Unreserved:				
General	288,044	0	0	288,044
Management	0	0	25,920	25,920
Capital Projects	0	58,783	0	58,783
Other special revenue purposes	0	0	25,010	25,010
Total fund balances	323,876	58,783	63,590	446,249
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,228,596	126,751	405,693	2,728,269

SEE NOTES TO FINANCIAL STATEMENTS.

TRI CENTER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 446,249
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,194,434
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,946)
Long-term liabilities, including general obligation bonds and revenue bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,205,000)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 3,429,737</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,513,945	559,745	324,679	2,398,369
Tuition	498,842	0	0	498,842
Other	94,437	3,695	259,021	357,153
State sources	3,373,903	0	0	3,373,903
Federal sources	179,102	0	0	179,102
Total revenues	5,660,229	563,440	583,700	6,807,369
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,670,044	0	0	2,670,044
Special instruction	600,306	0	0	600,306
Other instruction	357,688	0	260,682	618,370
	3,628,038	0	260,682	3,888,720
Support services:				
Student services	221,364	0	0	221,364
Instructional staff services	219,886	0	0	219,886
Administration services	639,256	0	28,138	667,394
Operation and maintenance of plant services	679,954	0	63,097	743,051
Transportation services	437,830	28,269	69,856	535,955
	2,198,290	28,269	161,091	2,387,650
Non-instructional programs	5,815	0	0	5,815
Other expenditures:				
Facilities acquisitions	0	934,601	0	934,601
Long-term debt:				
Principal	0	0	240,000	240,000
Interest and fiscal charges	0	0	77,545	77,545
AEA flowthrough	219,625	0	0	219,625
	219,625	934,601	317,545	1,471,771
Total expenditures	6,051,768	962,870	739,318	7,753,956
Deficiency of revenues under expenditures	(391,539)	(399,430)	(155,618)	(946,587)
Other financing sources(uses):				
Operating transfers in	0	0	162,390	162,390
Operating transfers out	0	(162,390)	0	(162,390)
Sale of equipment	600	0	0	600
Total other financing sources(uses)	600	(162,390)	162,390	600
Net change in fund balances	(390,939)	(561,820)	6,772	(945,987)
Fund balance beginning of year	714,815	620,603	56,818	1,392,236
Fund balance end of year	\$ 323,876	58,783	63,590	446,249

SEE NOTES TO FINANCIAL STATEMENTS.

TRI CENTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ (945,987)

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,112,990	
Depreciation expense	<u>(328,033)</u>	784,957

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets	240,000
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The proceeds from the sale of equipment (\$600) are reported as revenue in the governmental funds. However, the cost of the equipment as well as the corresponding depreciation (\$11,439) is removed from the capital assets account in the Statement of Net Assets and offset against the sale proceeds resulting in a "loss on disposal of equipment" which is reported within the government-type expenses. Thus, more revenue is reported in the governmental funds than the Statement of Activities.	(12,039)
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(778)</u>
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Changes in net assets of governmental activities (page 14)	<u><u>\$ 66,153</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

TRI CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 10,939
Inventories	26,421
Capital assets, net of accumulated depreciation(Note 5)	56,283
TOTAL ASSETS	<u>93,643</u>
LIABILITIES	
Deferred revenue:	
Other	4,623
TOTAL LIABILITIES	<u>4,623</u>
NET ASSETS	
Investment in capital assets, net of related debt	56,283
Unrestricted	32,737
TOTAL NET ASSETS	<u>\$ 89,020</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 216,111
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	161,036
Benefits	25,954
Services	570
Supplies	160,391
Depreciation	6,980
TOTAL OPERATING EXPENSES	<u>354,931</u>
OPERATING LOSS	<u>(138,820)</u>
NON-OPERATING REVENUES:	
State sources	4,460
Federal sources	107,892
Interest on investments	376
TOTAL NON-OPERATING REVENUES	<u>112,728</u>
Net loss before capital contributions	(26,092)
Capital contribution	<u>21,399</u>
Net loss after capital contributions	(4,693)
Net assets beginning of year	<u>93,713</u>
Net assets end of year	<u>\$ 89,020</u>

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

TRI CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 214,583
Cash received from miscellaneous	823
Cash payments to employees for services	(186,990)
Cash payments to suppliers for goods or services	(128,207)
Net cash used in operating activities	<u>(99,791)</u>
Cash flows from non-capital financing activities:	
State grants received	4,460
Federal grants received	79,607
Net cash provided by non-capital financing activities	<u>84,067</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(11,765)</u>
Cash flows from investing activities:	
Interest on investments	<u>376</u>
Net decrease in cash and cash equivalents	(27,113)
Cash and cash equivalents at beginning of year	<u>38,052</u>
Cash and cash equivalents at end of year	<u>\$ 10,939</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (138,820)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	28,285
Depreciation	6,980
Decrease in inventories	4,469
Decrease in deferred revenue	(705)
Net cash used in operating activities	<u>\$ (99,791)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 10,939</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$28,285.

During the year ended June 30, 2006, the Nutrition Fund received Capital Contributions from the General Fund of \$21,399.

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 41,540
Total assets	<u>41,540</u>
Liabilities	
Total liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 41,540</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2006

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 1,260
Total additions	<u>1,260</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>900</u>
Change in net assets	360
Net assets beginning of year	<u>41,180</u>
Net assets end of year	<u><u>\$ 41,540</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI CENTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Tri Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Neola, Minden and Persia, Iowa, and the predominate agricultural territory in Harrison, Pottawattamie and Shelby Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tri Center Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Tri Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison, Pottawattamie and Shelby Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the other expenditures functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in certificates of deposit as follows:

	<u>Fair Value</u>
Certificates of deposit	<u>\$ 10,000</u>

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates of deposit are stated at fair value.

(3) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 162,390</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	<u>\$ 253,647</u>	79	254,000	63

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no advance activity during the year ended June 30, 2006.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,669	0	0	12,669
Total capital assets not being depreciated	12,669	0	0	12,669
Capital assets being depreciated:				
Buildings	4,632,300	556,100	0	5,188,400
Land improvements	1,156,604	232,858	0	1,389,462
Machinery and equipment	1,489,168	324,032	112,881	1,700,319
Total capital assets being depreciated	7,278,072	1,112,990	112,881	8,278,181
Less accumulated depreciation for:				
Buildings	1,858,246	103,768	0	1,962,014
Land improvements	172,505	69,359	0	241,864
Machinery and equipment	838,474	154,906	100,842	892,538
Total accumulated depreciation	2,869,225	328,033	100,842	3,096,416
Total capital assets being depreciated, net	4,408,847	784,957	12,039	5,181,765
Governmental activities capital assets, net	\$ 4,421,516	784,957	12,039	5,194,434

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 64,521	33,164	2,647	95,038
Less accumulated depreciation	34,422	6,980	2,647	38,755
Business-type activities capital assets, net	\$ 30,099	26,184	0	56,283

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 21,653
Other	11,035
Support services:	
Instructional staff	23,010
Administration	3,918
Operation and maintenance of plant	6,544
Transportation	88,747
	154,907
Unallocated depreciation	173,126
Total governmental activities depreciation expense	\$ 328,033
Business-type activities:	
Food service operations	\$ 6,980

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,755,000	0	150,000	1,605,000	150,000
Revenue bonds	690,000	0	90,000	600,000	600,000
Total	\$ 2,445,000	0	240,000	2,205,000	750,000

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Bond Issue April 1, 2003			
		Principal	Interest	Total	
2007	3.75 %	\$ 150,000	51,430	201,430	
2008	3.85	160,000	47,680	207,680	
2009	3.75	165,000	43,280	208,280	
2010	3.85	170,000	38,165	208,165	
2011	3.75	175,000	32,725	207,725	
2012	3.85	185,000	27,125	212,125	
2013	3.75	190,000	21,020	211,020	
2014	3.85	200,000	14,560	214,560	
2015	3.75	210,000	7,560	217,560	
Total		\$ 1,605,000	283,545	1,888,545	

Revenue Bonds

Details of the District's June 30, 2006 revenue bond indebtedness are as follows:

Year	Bond Issue of 2002			Bond Issue of 2005			Total		
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2007	3.95 %	\$ 95,000	3,752	3.20 %	\$ 505,000	16,160	\$ 600,000	19,912	619,912

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$212,137, \$197,364, and \$190,734 respectively, equal to the required contributions for each year.

(8) Risk Management

Tri Center Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$219,625 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Fund Balance

The Physical Plant and Equipment Levy (PPEL) Fund had a deficit undesignated fund balance of \$16,634 at June 30, 2006.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, disbursements in the other expenditures functional program areas exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

TRI CENTER COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Fund Types	Fund Type	Actual	Original	Final	
	Actual	Actual	Actual	Original	Final	
Revenues:						
Local sources	\$ 3,254,364	216,487	3,470,851	3,353,328	3,353,328	117,523
State sources	3,373,903	4,460	3,378,363	3,384,397	3,384,397	(6,034)
Federal sources	179,102	107,892	286,994	625,000	625,000	(338,006)
Total revenues	6,807,369	328,839	7,136,208	7,362,725	7,362,725	(226,517)
Expenditures:						
Instruction	3,888,720	0	3,888,720	4,202,226	4,202,226	313,506
Support services	2,387,650	0	2,387,650	2,767,816	2,767,816	380,166
Non-instructional programs	5,815	354,931	360,746	387,866	387,866	27,120
Other expenditures	1,471,771	0	1,471,771	775,518	1,200,000	(271,771)
Total expenditures	7,753,956	354,931	8,108,887	8,133,426	8,557,908	449,021
Excess(deficiency) of revenues over(under) expenditures	(946,587)	(26,092)	(972,679)	(770,701)	(1,195,183)	(222,504)
Other financing sources, net	600	21,399	21,999	0	0	(21,999)
Excess(deficiency) of revenues over(under) expenditures	(945,987)	(4,693)	(950,680)	(770,701)	(1,195,183)	(244,503)
Balance beginning of year	1,392,236	93,713	1,485,949	770,701	770,701	715,248
Balance end of year	\$ 446,249	89,020	535,269	0	(424,482)	959,751

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI CENTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$424,482.

During the year ended June 30, 2006, disbursements in the other expenditures functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

TRI CENTER COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Manage- ment	Student Activity	Physical Plant & Equipment Levy	Expend- able Trust	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 24,388	41,128	333	516	66,365	10,760	77,125
Receivables:							
Property tax:							
Current year delinquent	1,532	0	547	0	2,079	1,900	3,979
Succeeding year	125,000	0	48,159	0	173,159	151,430	324,589
TOTAL ASSETS	\$ 150,920	41,128	49,039	516	241,603	164,090	405,693
LIABILITIES AND FUND BALANCES							
Liabilities:							
Excess of warrants over bank balance	\$ 0	0	17,514	0	17,514	0	17,514
Deferred revenue:							
Succeeding year property tax	125,000	0	48,159	0	173,159	151,430	324,589
Total liabilities	125,000	0	65,673	0	190,673	151,430	342,103
Fund balances:							
Reserved for debt service	0	0	0	0	0	12,660	12,660
Unreserved fund balances	25,920	41,128	(16,634)	516	50,930	0	50,930
Total fund balances	25,920	41,128	(16,634)	516	50,930	12,660	63,590
TOTAL LIABILITIES AND FUND EQUITY	\$ 150,920	41,128	49,039	516	241,603	164,090	405,693

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Manage- ment	Student Activity	Physical Plant & Equipment Levy	Expend- able Trust	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 125,103	0	44,638	0	169,741	154,938	324,679
Other	196	257,831	63	0	258,090	931	259,021
TOTAL REVENUES	125,299	257,831	44,701	0	427,831	155,869	583,700
EXPENDITURES:							
Current:							
Instruction:							
Other instruction	0	260,682	0	0	260,682	0	260,682
Support services:							
Administration services	28,138	0	0	0	28,138	0	28,138
Operation and maintenance of plant services	63,097	0	0	0	63,097	0	63,097
Student transportation	13,699	0	56,157	0	69,856	0	69,856
Other expenditures:							
Long-term debt:							
Principal	0	0	0	0	0	240,000	240,000
Interest and fiscal charges	0	0	0	0	0	77,545	77,545
TOTAL EXPENDITURES	104,934	260,682	56,157	0	421,773	317,545	739,318
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,365	(2,851)	(11,456)	0	6,058	(161,676)	(155,618)
OTHER FINANCING SOURCES:							
Transfer in	0	0	0	0	0	162,390	162,390
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	20,365	(2,851)	(11,456)	0	6,058	714	6,772
FUND BALANCE BEGINNING OF YEAR	5,555	43,979	(5,178)	516	44,872	11,946	56,818
FUND BALANCE END OF YEAR	\$ 25,920	41,128	(16,634)	516	50,930	12,660	63,590

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI CENTER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 311	976	634	653
Cross Country	555	49	394	210
Boys Basketball	2,702	6,570	8,618	654
Footall	719	13,637	14,355	1
Soccer	180	2,333	2,431	82
Baseball	821	6,203	6,136	888
Boys Track	239	5,898	6,121	16
Golf	72	925	952	45
Wrestling	941	5,487	6,427	1
Girls Basketball	649	5,049	4,438	1,260
Volleyball	1,383	13,069	13,469	983
Summer Softball	604	5,212	4,814	1,002
Girls Track	133	4,449	4,527	55
General Activity	715	7,127	7,410	432
Class of 2008	1,906	959	2,865	0
Class of 2007	0	17,039	13,229	3,810
Book Fair	0	2,726	2,635	91
Leadership	1,883	4,281	5,930	234
Yearbook	911	10,407	9,034	2,284
Student Council-Persia	0	950	347	603
Student Council	477	20,629	20,043	1,063
Elementary Student Council	1,216	3,682	3,314	1,584
Musicals	11,350	5,224	8,513	8,061
High School Cheerleaders	(90)	5,354	4,159	1,105
Drill Team	931	2,854	2,282	1,503
Elementary Art Club	1,303	2,757	2,322	1,738
National Honor Society	279	350	569	60
Astra	441	3,908	2,981	1,368
FFA	10,975	15,612	16,922	9,665
Vending	543	26,940	27,051	432
Misc Athletics	894	4,713	5,378	229
Music Boosters	936	212	132	1,016
Activity Tickets	0	52,250	52,250	0
Total	\$ 43,979	257,831	260,682	41,128

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI CENTER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,398,369	2,285,136	2,398,384	2,195,895
Tuition	498,842	526,330	471,937	343,337
Other	357,153	333,558	334,713	336,894
Intermediate sources	0	18,862	0	0
State sources	3,373,903	3,099,837	2,945,893	2,972,311
Federal sources	179,102	314,822	397,216	126,689
Total	<u>\$ 6,807,369</u>	<u>6,578,545</u>	<u>6,548,143</u>	<u>5,975,126</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,670,044	2,582,164	2,506,651	2,260,818
Special instruction	600,306	695,169	606,173	555,558
Other instruction	618,370	520,746	564,314	570,743
Support services:				
Student services	221,364	215,521	272,872	185,498
Instructional staff services	219,886	188,093	158,631	149,241
Administration services	667,394	631,440	576,396	620,671
Operation and maintenance of plant services	743,051	578,909	553,285	566,132
Transportation services	535,955	386,175	418,434	348,912
Non-instructional programs	5,815	8,907	11,095	9,259
Other expenditures:				
Facilities acquisitions	934,601	240,274	168,144	259,728
Long-term debt:				
Principal	240,000	287,498	273,521	259,866
Interest	77,545	114,560	127,779	144,480
AEA flow-through	219,625	204,512	206,915	219,029
Total	<u>\$ 7,753,956</u>	<u>6,653,968</u>	<u>6,444,210</u>	<u>6,149,935</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Tri Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tri Center Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 1, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tri Center Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

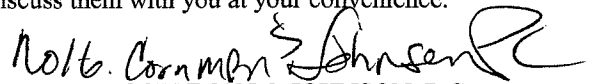
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri Center Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Tri Center Community School District and other parties to whom Tri Center Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Tri Center Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

August 1, 2006

TRI CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-06 Purchase Orders - We noted during our audit in the Student Activity Fund, that purchase orders were not approved prior to the actual purchase of goods.

Recommendation - The District should ensure that purchase procedures are followed. The purchase order when properly completed provides a document which shows authorization of order and which line item account will be affected. By properly using the purchase order system, the District may be able to more easily track budgeted expenditures and encumbered amounts toward the specific items.

Response - We will try to make sure that proper purchase order procedures are followed.

Conclusion - Response accepted.

TRI CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, exceeded the amended certified budget amounts in the other expenditures functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We amended the budget for the correct amount in Capital Projects but failed to add that amount to the total other expenditures.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - No business transactions between the District and District officials were noted.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

- II-J-06 Financial Condition - The District had a deficit undesignated fund balance of \$16,634 in the Physical Plant and Equipment Levy (PPEL) Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will comply.

Conclusion - Response accepted.